Message Text

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CONFIDENTIAL STATE 230940

EXDIS

E.O.11652:GDS

SUBJ: TURKISH OPIUM BAN

REF: (A) ANKARA 8918; (B) STATE 216975; (C) ANKARA 8939

1. EMBASSY'S DISCUSSION OF POSSIBLE COURSE OF ACTION RE OPIUM POPPY BAN CONTAINED REF(A) MOST USEFUL AND WE ARE IN AGREEMENT WITH GENERAL COURSES OF ACTION BEING CONSIDERED. OBVIOUSLY, MORE SPECIFIC DISCUSSION BETWEEN DEPARTMENT AND EMBASSY WILL BE REQUIRED AS SITUATION DEVELOPS. REF(A) IN PARTICULAR STRESSED POSSIBILITY THAT USE DEVELOPMENT LOAN FINANCING FOR PROJECTS IN EX POPPY AREAS COULD BE USED TO ALLOW A NEW TURKISH GOVERNMENT, IF IT DESIRES, TO DEMONSTRATE THAT IT HAS OBTAINED FURHER RESOURCES FROM USG FOR MEETING NEEDS FORMER POPPY FARMERS. WE TOO FIND THIS APPROACH APPEALING AND INDEED AS REF(A) CORRECTLY POINTS OUT, USG HAS INDICATED TO RESPONSIBLE GOT OFFICIALS ON SEVERAL OCCASIONS THAT AID WOULD CONSIDER LOANS UNDER ITS NORMAL CRITERIA FOR SUCH FINANCING. REF(A) AND (B), HOWEVER, APPARENTLY ASSUME THAT WE HAVE DOLS 60 MILLION IN DEVELOPMENT LOANS AVAILABLE FOR USE IN FY 74 AND FY 75. IN FACT, ALTHOUGH APPROACH IS SOUND, AS OUTLINED BELOW WE CONFIDENTIAL

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PROBABLY WILL ONLY HAVE DOLS 10 MILLION WHICH COULD BE USED IN POPPY AREAS.

2. IN ANY DISCUSSIONS WITH GOT, FOLLOWING DEVELOPMENT

LOAN SITUATION SHOULD BE TAKEN INTO ACCOUNT.

(A) BASED ON EXPECTED AUTHORIZATION/APPROPRIATION FOR FY74
DEVELOPMENT LOANS AND OTHER COUNTRY COMMITMENTS, WE
EXPECT NO MORE THAN DOLS 20 MILLION FOR TURKEY AND
AGAINST THIS AMOUNT WE ALREADY HAVE FIRM PROJECTS -IRRIGATED AGRICULTURE AND TOURISM -- WHICH WE HAVE BEEN
DISCUSSING WITH GOT OVER EXTENDED PERIOD OF TIME. WE
BELIEVE GOT INTERESTED IN PROCEEDING WITH THESE PROJECTS
EXPEDITIOUSLY. IN THE CASE OF TOURISM LOAN IT IS
PROBABLE THAT SUFFICIENT FUNDS WILL NOT BE AVAILABLE TO
ACCOMMODATE FULL GOT REQUEST. IT SHOULD BE NOTED THAT
UNDER THE IRRIGATED AGRICULTURE LOAN, OF THE PROVINCES
INCLUDED FOR SMALL DAMS AND LAND LEVELLING, FOUR OF
THESE PROVINCES -- KONYA, AFYON, ISPARTA, KUTAHYA -- ARE
FORMER POPPY AREAS.

- (B) WITH RESPECT FY 75 DEVELOPMENT LOANS, FUNDING STILL UNCERTAIN SINCE OMB BUDGETARY PROCESS HAS NOT BEEN COMPLETED AND WE CAN BE CERTAIN APPROPRIATION PROCESS WILL RESULT IN REDUCTION OUR REQUEST. BASED ON INITIAL REVIEWS AND BUDGETARY SUBMISSION OUR DOLS 20 MILLION ASKING FIGURE IS AN OUTSIDE AMOUNT AND IT IS PROBABLY SAFER TO PLAN ON DOLS 10 MILLION ACTUAL AVAILABILITY IN FY 75.
- 3. QUESTION OF TIMING OF ANY DISCUSSION THIS SUBJECT WITH GOT IS SUBJECT TO YOUR PERCEPTION OF WHEN SUCH ACTION POLITICALLY NECESSARY. WHEN IN YOUR JUDGMENT THAT TIME HAS ARRIVED YOU ARE AUTHORIZED DISCUSS WITH GOT DEVELOPMENT LOAN FOR FY 75 WITH AMOUNTS SUBJECT TO AVAILABILITY OF FUNDS. WE BELIEVE APPROACH SE FORTH PARA. 4REF(A), I.E. A LOAN CHANNELLED THROUGH AN INTERMEDIARY SUCH AS THE AGRICULTURAL BANK IS SOUND. RECENT USAID EXPERIENCE IN APPRAISAL OF AND NEGOTIATION WITH AG BANK ON IRRIGATED AGRICULTURE PROJECT WOULD PERMIT ESTABLISHMENT PROCEDURES FOR SUBLOANS TO ENTITIES IN FORMER POPPY AREAS. WHILE WE AWARE THAT AGRICULTURAL CONFIDENTIAL

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BANK COULD FINANCE PROJECTS OR OPERATING CAPITAL IN MOST AGRICULTURAL AREAS; INCLUDING FARM MACHINERY MANUFACTURE, IT NOT CLEAR HOW FAR AGRICULTURAL BANK MANDATE EXTENDS. THIS SHOULD BE EXPLORED AT APPROPRIATE TIME. OTHER CRITERIA NOTED SUCH AS PROJECTS WHICH ARE LABOR INTENSIVE AND SUBLOANS TO COOPERATIVES OR PRIVATE SECTOR ACTIVITIES ALSO SOUND AND SHOULD BE PURSUED. USAID EXPERIENCE IN IRRIGATED AGRICULTURE LOAN WOULD BE VERY HELPFUL AND RELEVANT IN STRUCTURING LOAN PROJECTS IN FORMER POPPY AREAS. AID/W PREPARED PROVIDE FURTHER GUIDANCE AS NECESSARY. KISSINGER

NOTE BY OCT: EXDIS ADDED PER S/S-O - MR SARROS.

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